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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-114874

MARCH 10, 1982

The Honorable S. William Green  
House of Representatives



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Dear Mr. Green:

Subject: Stamp Collecting Kits Bought By  
The U.S. Postal Service (GGD-82-45)

Your March 23, 1981, letter requested GAO to investigate certain aspects of how the Postal Service solicits and awards contracts for stamp collecting kits. We have briefed your staff periodically during the past months on the status of this procurement. As agreed to with your staff, we have monitored the current stamp kit procurement activity through contract award, and this report concludes our work on this assignment.

On January 27, 1982, the Service awarded Scott Publishing Company a 1 year, \$1.8 million contract for producing 1.8 million stamp collecting kits (on 8 topical subjects). This award represents the first in a series of planned annual procurements. As a result of our review, the Service made changes to improve the contract conditions and product specifications for producing stamp kits. The Service has redefined contract requirements, made this award more competitive, and we estimate has thereby saved \$300,000.

On March 16, 1981, the Service issued a Request for Proposal (RFP) to produce (over a 5-year period) 5.4 million stamp collecting kits--4 specified topics (300,000 each) and 28 topics to be named later (150,000 each). Beginning in April 1981 we met with Service officials to discuss various contract conditions and product specifications in this RFP which appeared to unduly restrict competition. The major problems discussed were:

- Not soliciting the large philatelic firms for their bids.
- Awarding the entire 5 years' (32 kits) production to a single supplier.

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--Requiring the supplier to give the Service a credit on unsold kits.

--Other conditions, such as short delivery schedules and the Service's ability to order up to 350,000 more of any kit with little notice and no price adjustment, which suppliers informed us were either financially or physically impossible to meet.

We suggested that the problems with this RFP's requirements needed to be resolved with participation by the potential suppliers. On May 1, 1981, a pre-award conference was held. These and many other problems were discussed. During the conference significant changes were made in Service requirements, while other important considerations were left pending. On May 8, 1981, the Service cancelled the RFP rather than make the many necessary changes. The Service instead redefined its needs and issued a new RFP on October 29, 1981.

This new RFP has resolved the major problems restricting competition. These problems were solved by:

--Sending all major philatelic firms notice of this RFP.

--Limiting award to a 1-year contract term for eight topical kits.

--Deleting the credit for unsold kits.

--Lengthening delivery schedules, deleting the additional order clause, and otherwise removing the contract requirements which could not be met.

The contract was awarded fairly and competitively. Four technically qualified proposals were received, with Scott Publishing Company having submitted the lowest bid and therefore getting the award. The competition enjoyed on this RFP indicates that the future annual procurements should be highly competitive. We believe that the news of this award will also provide incentive for other philatelic firms, which did not bid this year, to bid in the following years.

Service officials have reviewed the material in this report and found it factual and fairly representing the actions leading to this procurement.

We would be pleased to meet with you or your staff if you desire additional information on this matter. Copies of this report will be made available to the Postal Service and other interested parties.

Sincerely yours,

*W.J. Anderson*

William J. Anderson  
Director